

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6562

BILL NUMBER: SB 217

NOTE PREPARED: Dec 30, 2009

BILL AMENDED:

SUBJECT: Accrual Accounting for Political Subdivisions.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires local units of government to use a full accrual method of budgeting, accounting, and financial reporting.

Effective Date: July 1, 2010.

Explanation of State Expenditures: Given that the bill does not provide an appropriation, the State Board of Accounts (SBA) would have to implement new rules within existing resources. Additionally, the SBA would have to revise their annual report form to incorporate the accrual-based accounting method and training of local officials. This reporting requirement would be effective beginning January 1, 2015. However SBA would have to prescribe standards as soon as possible after June 30, 2010.

Explanation of State Revenues: For those municipal taxpayers that could change their accounting method from cash to accrual as a result of the bill, there could be a negligible change in Utility Receipts Tax (URT) collections in the short term.

Explanation of Local Expenditures: *Summary:* Local elected office holders not familiar with accrual-based accounting may require the hiring or training of personnel with the expertise in keeping accrual accounting records. The impact on local expenditures would depend on the action taken by local officials.

Background: Although there are some local units of government, such as universities and airport authorities, that already incorporate accrual-based accounting for annual reporting, the vast majority of local units of government, including all counties, cities, towns, and townships, currently use cash-based accounting.

Explanation of Local Revenues:

State Agencies Affected: SBA.

Local Agencies Affected: All local units of government currently using the cash-based method of accounting.

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